

Message Text

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SUBJ: 22ND UNDP GOVERNING COUNCIL - BUDGETARY AND FINANCE
COMMITTEE DISCUSSIONS OF AGENDA ITEM 9(A) CONTINUE

1. BUDGET AND FINANCE COMMITTEE DISCUSSIONS OF ITEM 9(A)
(FINANCIAL REVIEW OF UNDP RESOURCES AND PROGRAM COTS
1972-1976) CONTINUED JANUARY 15. HIGHLIGHT WAS PRINCIPAL
STATEMENT BY USSR WHICH OPENED THE MEETING. SOVIETS
ATTRIBUTED THE CURRENT UNDP LIQUIDITY CRISIS TO THE
WORLD'S FINANCIAL SITUATION AND TO "AN ABSENCE OF QUALIFIED
ANALYSIS" IN UNDP. ACCORDING TO THE SOVIET DEL, THE SIZE
AND VOLUME OF THE PLANNED UNDP PROGRAM HAD BEEN SUBSTANTIALLY
INCREASED WITHOUT HAVING ADEQUATELY TAKEN INTO ACCOUNT
RELITIES, VIZ "THE MARKET ECONOMY PHENOMENOM OF INFLATION."
IN AN OBVIOUS ATTACK ON DEPUTY ADMINISTRATOR LINDSTROM,
THE SOVIET REPRESENTATIVE QUESTIONED HOW A JOURNALIST
(LINDSTROM'S FORMER PROFESSION) COULD BE EXPECTED TO MANAGE
AN OPERATION LIKE UNDP. OTHER STAFF INADEQUACIES WERE
ALSO HINTED AT. ON THE QUESTION OF MOBILIZATION OF RESOURCES
TO DEAL WITH THE CURRENT CASH CRUNCH, THE SOVIET ADVICE
WAS FOR THE ADMINISTRATOR TO TALK TO THE INDUSTRIALIZED
COUNTRIES WHOSE MARKET ECONOMIES HAD CAUSED THE PRESENT
PROBLEM.

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2. THE SOVIET REPRESENTATIVE FLATLY DENIED THAT "DIFFICULT" NON-CONVERTIBLE CURRENCIES HAD ANYTHING TO DO WITH THE CURRENT FINANCIAL CRISIS. FURTHER, IN A VOLUNTARY PROGRAM COUNTRIES HAVE THE RIGHT TO MAKE CONTRIBUTION IN ANY FORM THEY CHOSE. THE ROUBLES AVAILABLE TO UNDP WERE NOT DEBT INSTRUMENTS BUT REAL, HARD AND EASILY USEABLE CURRENCY. AS LONG AS THERE WAS THE WILL, IT WOULD ALWAYS BE POSSIBLE TO TURN THESE "DIFFICULT" CURRENCIES INTO MATERIAL TECHNICAL ASSISTANCE. THE SOVIET THEN ENTERED INTO A LONG IDEOLOGICAL DEFENSE OF THE ROUBLE AND ITS INHERENT NON-CONVERTIBILITY. THE SOVIET REPRESENTATIVE SAID THE ROUBLE WAS BASED ON GOLD, THE ACCOMPLISHMENTS OF THE WORKING CLASS IN SOCIALIST SOCIETY AND USSR'S ECONOMIC POTENTIAL. THERE COULD BE NO CONVERTIBILITY AS THIS DID NOT TAKE PLACE IN SOCIALIST ECONOMY. WITH THIS THE SOVIET REPRESENTATIVE FLATLY REJECTED THE FIRST PART OF THE ADMINISTRATOR'S PROPOSAL CONTAINED IN PARAGRAPH 30(E) OF DP/155.

3. THE SOVIET INTERVENTION, WHICH LASTED 1 HOUR 15 MINUTES, WAS FOLLOWED BY 9 OTHERS INCLUDING THAT OF INDIANS, WHO PUSHED FOR IDA-TYPE, BURDEN-SHARING NEGOTIATIONS, AND BRAZIL, WHICH CALLED ON DONORS OF DIFFICULT NON-CONVERTIBLE CURRENCIES TO ALLOW LIMITED CONVERSION. CANADA, APPARENTLY SEEKING A PIVOTAL POSITION, EXPRESSED WILLINGNESS TO CONSIDER BURDEN-SHARING NEGOTIATIONS FOR SOME FUTURE CYCLE. WITH THE EXHAUSTION OF SPEAKER'S LIST, THE CHAIRMAN ATTEMPTED TO SUM UP THE COMMITTEE'S ATTITUDE ON ITEM 9(A) BUT DESISTED IN RESPONSE TO BROADLY EXPRESSED FEELING THAT SUMMING UP WOULD BE PREMATURE AT THIS POINT. THERE WAS GENERAL AGREEMENT THAT MORE TIME WOULD BE REQUIRED FOR CONSULTATIONS BEFORE ANY RECOMMENDATIONS COULD BE SENT TO THE PLENARY.

4. DISCUSSION OF A RELATED ITEM, DP/173 ("ANALYSIS OF THE INCREASE IN THE ACTUAL COST OF EXPERTS"), FOLLOWED. UNIVERSAL CONCERN WAS EXPRESSED ABOUT THE DRAMATIC RISE IN THE COST OF EXPERTS WHICH HAD TAKEN PLACE OF LATE. THE DISCUSSION OF THIS ITEM WAS SUSPENDED WHEN BRAZIL ADAMANTLY REFUSED TO AGREE TO AN INCREASE IN THE STANDARD COST OF EXPERTS. THIS HAD BEEN PROPOSED BY THE ADMINISTRATOR RETROACTIVE TO JANUARY 1, 1975 TO TAKE THIS RISE INTO UNCLASSIFIED

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CONSIDERATION IN PLANNING. THE BRAZILIAN REP FELT THAT AGREEING TO AN INCREASE IN THE STANDARD COST WOULD CREATE CONDITIONS FAVORABLE TO FURTHER INCREASES IN ACTUAL COSTS. THIS ACTION BY BRAZIL LEFT THE UNDP SECRETARIAT DISMAYED. UNLESS AGREEMENT CAN BE REACHED ON INCREASING STANDARD COSTS, ALL PROGRAM COST - PROJECTIONS FOR THE FIRST CYCLE WILL HAVE TO BE RECAST.

5. DAY'S END FOUND THE BUDGETARY AND FINANCE COMMITTEE READY FOR CONSULTATIONS BUT IN GENERAL DISARRAY AS TO HOW TO MOVE AHEAD ON THE LIQUIDITY SITUATION. AT THIS POINT THE US (KITCHEN) AND UK REPS INITIATED A QUESTION AND ANSWER SESSION, DESIGNED TO ELICIT ADDITIONAL FACTUAL DATA IN A WAY WHICH WOULD FOCUS THE GOVERNING COUNCIL'S ATTENTION, ON THE ONE HAND, ON THE ROLE PLAY BY NON-CONVERTIBLE CURRENCIES IN THE CURRENT SITUATION, AND ON THE OTHER HAND, ON THE PRACTICAL MEASURES WHICH WILL HAVE TO BE TAKEN TO COVER THE \$40 MILLION CASH DEFICIT FORECAST FOR THE END OF 1976 AND TO AMELIORATE THE ROUNDHOUSE PROGRAM CURTAILMENT MEASURES CURRENTLY ENVISAGED BY SECRETARIAT OFFICIALS AS BEING NECESSARY.
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